

The holistic approach to property market analysis

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Abstract

This paper argues on the relevance of adopting the institutional economic approach as an alternative approach to the mainstream economic approach for understanding the operation of the property market. It points out the unique characteristics of the property market, which warrant for a different dimension for understanding property market behaviour. An evaluation of the different paradigm in property market justifies for a relevant approach to understand the property market. The paper examines how the institutional approach takes into consideration of the features of the property market it is analysis. Having identified the strength of the approach in addressing property market analysis, the paper then proposes a broad methodological framework for property market analysis.

Key words: Mainstream, institutional, Marxism, approaches, property market analysis

1.0 Introduction

Currently property research is becoming more important and relevant considering its role as an investment asset and a major contribution to the nation's wealth. Nevertheless property, which is associated with land matter, has to be dealt with differently from other asset. Understanding property markets requires an evaluation on the nature of property as an economic goods, which is capable of being used, traded and developed. Although property research has focussed into many issues relating to properties a large part of it remain unexplored.

The difficulty in generalising on property markets is that it tends to vary between cities, regions and across nations through variations in economy. Although the global economy has an important influence on the way trade and business is carried out, it has to some extent

limits its influence on the way properties are held. Culture, politics, rules and norms remain an important aspect distinguishing properties from other asset. How does these aspects influence the operations of the property markets? A fundamental aspect that needs to be identified is the way in which property market are theorised. Properties need to be clearly theorised in order to understand its operational functions and the problems that arise. This paper discusses the issues relevant in theorising property markets. It examines the different ways in which properties are viewed and suggest for a practical way for understanding property markets.

The paper is arranged in to five sections. Section two reviews the different theoretical view of the property markets. It discusses the philosophical argument of the underlying theories in property markets and how this has affected the functioning of the property markets. Section three evaluates the strength and weakness of the different theoretical views in terms of its ability to capture the property market characteristics and the outcomes that arise from the operation of the property market. Section Four argues for the need of the holistic approach to understand property market operations. It illustrates the ability of the approach to address the nature and characteristics of the property markets. Finally section five summarises the achievement of the paper in theorising property markets according to its characteristics.

2.0 The theoretical approaches to property markets

Theories form an important part in property research as in other social science researches since it forms the philosophy underlying each argument. Grissom and Liu (1994) suggested that there are arguments on the appropriate theory to property due to the broad nature of the subject. Lizieri (1995) reinforced the importance of theory, which should be backed by empirical evidence. Nevertheless analysis of each is relevant as theory could be used in any field of study as it provides a unified system of laws or hypotheses with explanatory force (Lacey, 1996).

Sjorberg and Nett (1968) identifies three-dimensional use of theory. First, it provides broad, logical structure to the problem. Second, it generalises the pattern of empirical world. Third, it provides assumptions regarding scientific method and nature of data. In this paper, the relevant theories underlying property market explanation will be examined and are analysed accordingly.

2.1 Main-stream Neo-classical view

The Neo-classical economic theory dominates the explanation to all economic problems. Their ideology is that forces in demand and supply determine market (Harvey, 1996). It explains that the market will move to an equilibrium level and at that level the

quantity of demand is equal to that of the supply. The theory assumes that the markets can function perfectly and that market agents are rational well informed and constantly strive to maximise their economic well-being.

The neo-classical adopts realist ontology, which assumes that the laws of supply and demand can explain property market behaviour. Harvey (1996) describes that the function of the property market is to indicate changes in supply and demand and how price movement signals these changes. Thus supply and demand is an important variable in understanding property market behaviour. Property market changes are influenced by both internal and external factors, which are termed endogenous and exogenous factors (Wheaton and DiPasquale, 1996; Eccles *et al.*, 1999). Endogenous factors are inherent within the property market itself. Some examples are property prices, rents and vacancy rate. Exogenous factors are factors outside the property market. Examples of exogenous factors are interest rates, economic growth and employment structure. Since the market is determined by supply and demand, it is important to identify the effect of these variables on the property market. The relations between the variables that affect the property market can be explained through establishing models of the property market. According to Miller and Mair (1991), this paradigm has two principal objectives. The first is to drive necessary and sufficient mathematical condition for hypothetical general equilibrium of resource allocation. The second objective is to illustrate efficient optimal market economy, which if existed in real life, would imply social harmony.

The neo-classical school adopts a positivist epistemology. The theory views that the functioning of the property market are explained through the use of mathematical function. It assumes that the variables that form the market can be manipulated through the rules of demand and supply. Thus changes in demand and supply are affected by changes in variables, which affect them.

In terms of its methodology, the explanation of the property market is through the use of mathematical models. Models are used to explain the reality of how the property market works. Thus it is necessary to hypothesise how market works and then real data are fitted into the model to explain the reality of the property market. Equations are designed to explain how property market functions with both exogenous and endogenous variables are applied to models to determine how those factors affect the market. Property market models can also be designed to take into consideration of adjustment to demand and supply. Thus market may respond to shocks caused by exogenous factors. Adjustment to property supply caused by time taken for development is also considered in designing property market models.

The use of mathematical models is most common in property market researches. (Keogh, 1994; Tsolacos *et al.*, 1997) developed a model to describe the dynamics of office market through use, investment and development sectors. Although Tsolacos *et al.*, (1997) model fails to establish the effect of the wider economy, it is relevant to the study of office cycles dynamics. This is because signals from use and investors market stimulate major

stages in the office development process. In contrary Keogh (1994) shows that behaviour of user market is fairly easy to explain as it moves in line with economic activity. There is a tendency of the market to be oversupply in the aftermath of economic growth.

In another research, Key *et al.*, (1994) created a model to explain how cycles are linked to development, investment and use activities. These activities are further linked to a host of other factors such as economic growth, bank credit, land values, financing cost, cash flow, inflation, stock market and portfolio regulation. These routes demonstrates the linked between property to the rest of the economy. The model was designed and fitted with data on commercial properties. In each of the use, investment and development sectors, a model was designed to describe the effect of cycles in each of these activities. In the occupier or user market, models are built to show adjustment in rental due to development lag and inflexibility of the built stock. The effect of cycles on the occupiers market is that they are likely to show oscillations in response to demand. In the development market, the main driving factor considered in designing the model is the influence of capital values, the construction and finance cost on the volume of development undertaken. The outcomes of models suggest that rate of profit achieved in current development is the main trigger for additional development. Commercial development cycles show recurrent but irregular cycles of 4 to 5 years between two cycles although cycles have not been constant.

Similarly Wheaton and DiPasquale (1996) describe that rents, prices, construction and depreciation process affect changes in demand and supply of properties. Demand for properties arise from occupiers of space whether they are tenants, owners, firms or household. Rents are determined by space for use and not on the asset market. The asset market determines supply of office space. Demand for space depends on rents and other exogenous factors such as firm's production levels. The link between asset market and property market occurs in two ways. First, rent levels determine demand for properties as purchase of properties means that owner purchase present and future income flow. Thus changes in rent affect demand for ownership in the asset market. The second link is through construction and development activities. Increase in the construction sector caused supply of asset to increase and prices of asset market to decrease, which cause rents to decline. The results of data analysed through this model explains how demand and supply affected the overall operation of the property market

Although the creation of models has an important place in property research, there are limitations of its interpretations. Findings tend to vary from one situation to another and there are times when outcome does not reflect the reality. Hence the weakness of the modelling methodology will have to be analysed and caution has to be taken for a more reliable result of empirical research.

2.2 Marxism view of the property market

The view is based on Marxist political theory whose main ideology is to seek explanation for economic outcome based on the formation of social structure in which the society is formed. The conceptual framework underlying their ideology is based on the

'mode of production' (Scott, 1991), which is determined, by the material condition of production (Miller and Mair, 1991). This form of production can be analysed in any society from the capitalist to the communist society. This is contrary to the neo-classical approach, which assesses the market from demand and supply analysis. The Marxism argued that the circuit of capital to the property sector is relevant in explaining the property market and development (Harvey, 1975; 1991; Luithlen, 1992; Boddy, 1981). The approach stresses on the role of various structures such as financial service sector, industrial investment, the regulation of different economies on their mode of production. These are then fitted together to form the process in which development takes place. The explanation of the structural models was made in the context of the capitalist society.

The ontology of the traditional Marxist tends to adopt the realist dimension. The analogy put forward is that, if we want to study the events of the outcomes, then we need to know the mechanism in which such actions are structured (Holt-Jensen, 1999). The Marxist assumes that the changes in the structural forms of the society determine the mode of production and the surplus value created. The relation between the production and the resources such as labour, raw materials, machine and land determines economic outcomes. In the property context production is seen as property development. The struggle between capital and labour that occurs in production processes determine the dynamics and pattern in property development and market pattern.

There are four main elements, which build up the grounds of knowledge in the Marxist theoretical approach (Luithlen, 1992; Scott, 1991). The first element is on the historical materialism. The argument in historical materialism is that the future can be determined from what happens in the past. Thus prediction on the outcome at any moment can be explained through analysing the historical development. The existence of material is important to the society and hence all direction and formation of the society is for the sole purpose of the existence of materials.

Related to the historical materialism is the second element to the Marxist framework, which is the mode of production. Scott (1991) distinguished two important aspects that determine the mode of production. The first is the physical means of production such as labour, machinery, raw materials and land. The second aspect is the relation in production, which is defined by the distribution of ownership over production force between different groups of the society. Changes in the mode of production dictates the historical materialism of the society. The relationship in the mode of production determines all other aspects of social order.

The third element to the Marxist framework is the role of classes in the society. The theory argues that ownership of production process determines the types of development and market. Massey and Catalano (1978) illustrate that the different ownership classes in Britain has affected the historical urban development pattern. The different classes in the capitalist society determine the type of development undertaken.

The fourth reasoning to the Marxist framework is on the surplus value. According to Scott (1991), Marx surplus value was derived from Ricardo's ideology that exchange value corresponds with labour input. The surplus is derived from the exploitation, which occurs in all class-based societies. Of all factors of production, only labour can be measured objectively. Thus labour can be the source of value for all goods that have value in exchange and value in use. Exploitation or surplus value exists when there is an appropriation of the dominant class. The ownership of the physical means of production caused unequal pattern of production when the non-proprietor class is dependent on the proprietor class for survival, which is common in all class-based societies.

The grounds of the Marxist ideology are realized mainly through the objectivist methodology. Since the main interest in the Marxist approach was to identify the effect of the formation of the society on production, a historical analysis on the effect of changes in the society development and market is relevant.

Boddy, 1981; Ball, 1983 and Harvey, 1981 describe the struggle between capital and labour has explained the development process that takes place. Boddy (1981) suggests that different forms of 'circuits of capital' are responsible for the development that takes place. There are actually three circuits of capital, which affect the economy and property development. The first circuit of capital is derived from industrial capital whose surplus is from production commodity. The second circuit arises from surplus on sale of commodities. The third surplus arises from interest bearing capital generated by sale and purchase of money capital. The dynamics and tension that takes place in the movement of all these circuits of capital will be reflected in property development activities.

In another study, Beuregard, (1994) applied Harvey's ideology empirically to identify if there is actually capital switching in property development. A temporal analysis was used to assess the evidence of capital movement from primary to secondary circuit. The investigation focussed specifically on building boom, which centred on relations between urbanisation and restructuring of capital. The investigation showed little support that capital switches have actually occurred. Beuregard (1994) disclose that there is a weak test of capital switching on construction and various alternative investments. This finding indicates the difficulties in adopting the structuralist approach in explaining the property market.

Ball, 1983; Ball *et al.*, 1990 describes that the struggle for capital between different organisations in residential organisation determines residential development activity. He argued that each organisation have their own constraints and opportunities for capital and hence adopt different strategies.

2.3 Institutional economic view of the property market

The ideology of the institutional approach is developed from the argument that it is the power structure of the society that determines the economy and market performance. According to Samuels (1995), the economy is approachable by examining the evolutionary changes that takes place within the society. Foster (1991) suggested that the whole organisational structure of the economy allocates resources and distributes income. Thus to understand market outcome, there is a need for a broader set of explanatory variables than those included in the demand and supply analysis (Samuels, 1988; Samuels, 1995). Because organisation and control are the explanation to economic outcome, the interests of institutions are largely on matters relating to formation of institutions and effect of institutional change where relationship between power and belief system and technical change has an important consideration (Foster, 1991; McMaster, 1999))

According to North (1990;1993) institutions that are composed of rules, norms of behaviours provide the incentive to structure the economy. Their evolution shapes long run economic performance where institutions enforced all kinds of purposive activity undertaken. This creates opportunities for the existence of organisations such as firms, trade unions and political bodies, which embodied related activities. North (1993) further suggested that if institutions reward productive activities, then the resultant organisations will find it worthwhile engaging in economic activities that will induce economic growth. However if the institutional framework rewards non-productive activities then organisations will maximise at those margins and the economy will not grow. The interactions between institutions and organisation create the path for economic performance. Thus the dynamism of the market can be traced from the institutional changes that take place.

In contrary to the neo-classical view, institutions approached economic problems subjectively. The market is 'an institutional complex, (Samuels, 1988) formed by institutions and interacts with other institutional complexes in society. The fundamentals institutionalist position then is that, it is not market which allocate resources but that the market gives effect to the institutions (or power structure), which form and operate through it'. There are various ways in which institutions explained market and the economy (Samuels, 1995)

As institutions created by the power structure of the society form the market, it tends to vary from one society to another. Thus their emphasis is focused on social and economic evolution. Institutions are important and cannot be taken for granted. Changes in institutions are determined by the society and although it takes place slowly, it has an effect on both economy and markets. Related to the social economic evolution, social control and exercise of collective actions is important for the market to operate. Hence the market is not free and independent of human control as claimed by neo-classicists. Institutions impose social control and the exercise of collective action in markets. Commons (1931) suggested that collective action and enlargement are necessary for creating and structuring the market. This enables the market to perform as they do because institutions act as social control, which enables business to function and thus determines the economy (Samuels, 1995).

The role of technology has an important influence on the evolutionary changes to the society (North, 1990; Foster, 1991). Technologies act as a major force that affects economic transformation. Changes in technology are mediated through human activity and it affects production process and the markets. It may mediate human activity and forces for institutional changes. With the market organisations being determined by the society so will its prices and values. Thus habits, culture and rules form important aspects in determining prices and allocation of resources to the institutionalist, which is in contrary to the static pricing mechanism of the neo-classicist. Finally economy is non-deterministic and non-mechanistic decision-making process. It is governed and determined by power relations.

The process of change is driven by the society. The evolutionary process of change explains the dynamics of the market. The institutionalist believes that the objective approach of mathematical models cannot explain the market. Since the dynamics of the market are the effect of structure of institutions, the approach to understand market is through the qualitative evaluations of institutional change. As the market is non-deterministic, the creation of institutions gives effect to collective decisions of market actors, which determines supply and demand. The creation of organisations is to facilitate the functions of the market (North, 1990). This evolutionary process of change is able to describe the changes to the property markets. Thus organisational changes and qualitative behaviours of market actors are important aspect of institutional explanations.

The methodology of the institutional economics are characterised by holistic, systematic and evolutionary (Wilber and Harrison, 1978; Maki, 1993). The evolutionary methodology arises from the belief that the economic system is seen as a process of change inherent in a set of social institution. The process of change is not mechanical but determined by human action and shaped by the society. Market actors or agents play an important role in determining property market outcomes. They are involved in making decisions and their collective decisions lead to specific outcomes. Analysis on behaviour involves a more qualitative methodology, as opposed to the quantitative methodology of the neo-classical economics. (Ball, 1998) suggest that behaviour of actors like developers, lenders and valuers may explain the property market. Thus it is relevant to examine how the institutional approach offers an alternative methodology to property market analysis.

The institutional methodology is holistic because it focuses on patterns of relations among the different parts to the whole system. These inter-relations described the whole parts systematically. The institutionalists believe that these parts build up a coherent structure and can only be understood if the whole system is considered. The evolutionary analysis refers to the changes in pattern of relations, which are seen as the essence of social reality.

The application of the institutional methodology in property research results from criticism on the neoclassical approach (Healey and Barrett, 1990; Healey, 1992; Van der Krabben, 1995). The argument put forward was that the neo-classical theory of demand and supply sometimes fail to explain the property problems. The increase in demand sometimes

is not followed automatic supply. The existence of development constraints that can be in the form of physical, financial and land ownership (Adams *et al.*, 1993) can deter development from taking place. In the property context, there is an increased interest to shift to the institutional paradigm. The use of institutional analysis was used widely to address various aspect of property. The main theme of the institutional approach has been to relate the organizational structure relationship, institutional change and the property market outcomes. Much of the literature has focused on the market dynamics and the development process.

Healey (1992) argued that how and why development takes place is explained by the institutional rules, which form the structure for agent's relations. She suggested that difference in structure between different places will affect agent's strategies and this explains the variation in property development in different localities. Using similar explanations Van der Krabben and Lambooy (1993) illustrates the effect of institutions to explain spatial and temporal variations in property development that takes place in Dutch cities. Van der Krabben (1995) illustrated that the strategies of various agents involve in housing production, the government intervention and the institutional economic relations between agents have contributed to the sharp rise of market prices of owner occupied dwellings in 1990s and the debate about the shortages of building land in Dutch cities. The research suggests that the institutions that functions the real estate market can explain the pattern in Dutch housing production.

Similarly in a different situation Ball (1983) illustrates the effect of institutional structure on the pattern on housing development. He argued that it was the institutions, which provided the structure of provision for the rise of owner occupied dwelling in Britain. In another perspective, Keogh and D'arcy (1994) examine the role of institutions, which determine the state of emergent and mature markets. The research examines the behaviour of the property market in terms of decision rules, property rights and the quality of professional advice on property transactions. It attempts to uncover the effect of institutions on the property market process and the performance of the market. The research concluded that institutions have a role in determining property market maturity. Using similar framework Armitage and Keogh (1995) examines the emergence of the Bangkok prime office market. The changes in size and form of the Bangkok property market are related to the growth and the restructuring of the economy over the past ten years. The economy has shifted from away from traditional agricultural activity towards manufacturing and service industry. They illustrate that the market evolve through the constraints of property market institutions such as the restriction on foreign ownership. The market operates with lack of openness and lack of information, which inhibit market growth. However, the growth in demand for commercial property has attracted international property advisers to the area.

The application of institutional methodology have illustrated that institutions do matter in property market. They have also been applied in various forms to address different issue on properties. The emphasis has been the role of institutions in determining actor's behaviour in the property market process. Although the use of institutional analysis has been given attention, there are also disputes on how it should be applied to specific studies. The disputes arise from the wide meaning of institutions itself.

3.0 Evaluation of the theoretical approaches for property market analysis

The different approaches to property market analysis are examined in terms of its strength and weaknesses in explaining property market problems. In assessing property market theories, important aspects on the characteristics and nature of the property markets will be considered.

3.1 Strength and weakness of the mainstream neo classical approach

The illustration on the property market models describes the ability of the neo-classical economic theory in explaining the property market. Although the theory are well accepted and have dominated property research, there are problems associated with it when applied to the property market.

The strength of the neo-classical theory lies in the ability of the theory to provide reasonable explanation to property market under specific set of laws. These are the assumptions on the rational behaviours of market agents working with full information. The models can be adjusted to suit the problems that need to be resolved. For example models can be used to explain the effect of the economy on rents and the market (Barras, 1983; Keogh, 1994; Key *et al.*, 1994; Hendershott, 1999). Models are also used to assess the effect of new construction on the property market (Rosen 1984) and also the effect of depreciation on the property market (Wheaton and Torto, 1990). Apart from providing explanations, models are also utilised in predicting the future property market (Key *et al.*, 1994; Morrison, 1997).

The weakness of the neo-classical economic theory lies mainly on the criticism associated with the assumptions of the theory. Van der Krabben (1995) described that the assumption of the theory caused problem in co-ordination. The theory assumes that in a '*pure market*', co-ordination between individual decision-maker is smooth because there is full information, full mobility, full divisibility and correct prices. When these assumptions are removed, as in the case of the property markets, there are problems for the market to perform efficiently. Keogh (1994) describe the failure of the property market to perform efficiently due to problems of information and imperfect market.

The second aspect of the assumption of the theory is that market agents are wealth maximises. This assumption is difficult to hold as agent's decisions are constrained by institutional factors and hence prevents market from performing efficient expected outcome. The constraints faced by market agents may prevent supply from moving towards demand (Fothergill *et al.*, 1987; (Healey, 1992)) causing failure of the theory to hold. The assumption that the market will move towards equilibrium level is also unrealistic. This is because there is difficulty in determining the equilibrium point as the property market is dynamic and it is always changing creating new equilibrium. Hence, there is difficulty in locating equilibrium point in the property market.

In the empirical context, there are variations in the findings of research undertaken suggesting that there are problems associated with the methodology. Ball (1998) however identifies two main problems with property market models. First, the explanation of development lag is in contrast with exogenous factors of user activity such as construction cost, the cost and availability of credit and planning controls. This reinforces or dampens the inherent cyclical tendencies. The second problem relates to rent adjustment in property market models. Models illustrate how rents are slowly adjusted to suit vacancy rate. They argued that if rent is slow, then developers should exploit the situation. Thus, developers would react to such information to correct the imbalance by either increasing or decreasing supply.

Ball (1998) further suggests that the problems could be linked to irrational behaviours of actors. The aspect of irrationality is related to slowness to respond to clear market signals and failure to learn from experience. Thus behaviours of related actors are relevant to explain how market actors operate. The behaviours of actors and agencies are again subject to a number of endogenous and exogenous forces. However, it represents an alternative way of approaching the property market. The effect of how behaviours of actors and organisations on property market are explained through various institutions.

3.2 Strength and weakness of the Marxist approach

The strength of Marxist approach is on the theoretical guidance that it provides for research. It has been applied in the property context, particularly in assessing the flow of capital in property development. Van der Krabben (1995) suggest that the Marxist approach enlarge knowledge on the role of finance with respect to real estate development. They have proved insights as to where money comes from in the development process and the dynamics behind the fluctuations in the amount of capital that flows into the built environment. The emphasis on the dynamics changes in the capitalist economy explains directly how capital is related to development at macro level. Bovaird (1993) describes that at micro level analysis, the Marxist rejects equilibrium level, while at macro level, the stress was on the analysis of social relations.

Although the Marxist approach has proved insights on the flow of capital to property development, there are also weaknesses of the approach. The weakness of the Marxist approach mainly lies on its emphasis on capital flow from primary to secondary circuit while neglecting other important effects of the development process. Van der Krabben (1995) commented that the Marxist model does not penetrate into detail the events of the development process and the nexus of agency relationships. Another criticism of the richly grounded political theory structuralist approach is that it is generally in abstract form. This can lead to difficulty in application of the theory for empirical work particularly in assessing property market behaviours. In relation to this, the use of the structuralist approach is more useful to address political situation rather than problems on the property market.

3.3 Strength and weakness of the institutional approach

The application of the institutional economic framework in properties is only at its development stage. More empirical work involving property market is required to support the capacity of the methodology in property research. The strength of the institutional explanation is on the argument that it is the power structures that determines how the market operates in allocating resources. Through this argument, the theory has enabled to address the weaknesses of the neo-classical economic theory and at the same time address the imperfect characteristics of the property market.

The main strength of the institutional theory arises from the weaknesses of the neo-classical economic theory particularly on its assumptions. Firstly it does not assume that the property market operate at zero transaction costs. The institutional economic theory acknowledges the problem of information in the property market. Information is costly and hence the market operates with transaction costs. Institutions provide the structure for market actors or agents to deal with information and determine the effect of transaction cost that incurred in the market. Thus the institutions forming the property market consider the problem of transaction costs incurred in the property market.

Apart from transaction cost, the institutional approach does not assume the property market is smooth functioning and well coordinated. It recognises that institutions, which organises the property market, varies across time and space. Thus while some may operate efficiently others may be less efficient. The central problem is the institutions in which market are formed and this have to be examined in order to understand the process leading to specific market outcome.

Another assumption of the neo-classical theory, which has been addressed by the institutional economic theory, is on the assumption that the market will move towards equilibrium level. As the market may not be well coordinated, there may be no equilibrium level but the dynamics of the property market is determined by institutional changes. The advantage of analysing institutional changes rather than equilibrium points is the difficulty in determining the equilibrium level. Hence one of the strength of the institutional methodology is to overcome the problem, which have been under criticism under the neo-classical methodology.

The other aspect that contributes to the strength of the institutional approach is the aspect on its multi disciplinary nature. This is because the approach to property is multi disciplinary in nature where there is a need to knowledge in aspects such as economics, law and planning. Analysis on the property market process takes into consideration of the above aspect in understanding property market behaviour. Thus the application of the institutional theory is relevant in understanding the behaviour of property markets.

The main weakness of the institutional economic theory is the term institutions itself which encompasses a wide scope. There is actually no definitive meaning to the term institutions (Commons, 1931). Although the lines of argument revolve along the society and

power structure, the perspectives that one may take in a particular research may vary. One view may regard institutions as organisations and agencies whose role in the property may affect use and development. Some examples of these institutions are the financial institutions and other institutional investors (Massey and Catalano, 1978). Others may regard institutions as 'a structure or framework for agent's decision or strategies' (Healey, 1992; Van der Krabben, 1995). Finally there are also views that institutions acts as a 'network of relationship' for market provision (Ball, 1983; Ball, 1998) and these relationships will determine the process in which property are developed and traded (Keogh and D'arcy, 1998). Since there are various perspectives in which institutions can be applied in property research, care must be taken to select the framework, which address the particular interest of the research.

Apart from the problem of meaning, there are two other weaknesses of the institutional approach when applied to property market research. First is the weakness, which arise from the historical and evolutionary nature of the institutional approach. Although there are advantages to the application of the historical analysis, there are also disadvantages. The disadvantage of the historical analysis is that it is difficult to verify the real cause and effect of institutions on property. The market may be affected by a number of reasons and it is quite inappropriate to associate the relevant institutions causing changes to the market. Hence empirical work will have to take into consideration of the above problems when considering the addressing the property market.

The other problem, which contributes to the weakness of the institutional approach, is the fact that there is no theoretical guidance. Foster (1991) stressed that institutionalist claim that they are value free and thus do not hold any ideological opinions on particular aspects. The effect is that it is difficult to lean any observations and research findings to any theoretical views. Ball (1998) suggested that although institutionalism does not hold any theoretical view, they may provide a good methodological approach or they can be applied in conjunction with other main theories. What is important about the application of the institutional economic theory is that they should possess greater explanatory powers and should be supported by empirical work.

4.0 The holistic approach to property market analysis

The evaluation on the three main approaches of the property market enables the selection of a suitable approach to analyse property markets. There are strength and weaknesses of each approach in explaining the function of the property approach. The selection of the holistic approach is on the basis of the ability of each theory in addressing the problems of the property market. Important aspects have to be considered are the problem of information, coordination and other imperfect characteristics of the property market.

Out of the three approaches that have been examined, the institutional approach appears to be the most appropriate approach to explain the operation of the property market. The

institutional economic approach addresses the criticism of the structural and the neo-classical economic approach as describe in earlier sections. The strength that supports the use of this approach in explaining the property market lies in the holistic nature. This is compatible with the property market since property is multi disciplinary in nature and that every aspect of the property market need to be examined in order to understand its functions. Hence based on the evaluation made in previous sections, it is appropriate to adopt the institutional economic to analyse property markets.

In order to conceptualise the holistic approach for property market analysis, there is a need to consider the broad characteristics of the property market. The broad feature that should distinguish the holistic approach in property markets is as follows:

- ❖ The social, political, legal ad economic factors that built the property market environment
- ❖ The rules, norms and habits that constitutes the operation of the property markets
- ❖ The roles of agents or actors that exist in the property market
- ❖ The gradual changes in the property market outcome which arise from the operations of institutions

5.0 Summary and Conclusion

This paper has explained why theoretical perspectives are important in understanding the operation of the property market. Philosophical reasoning identifies the methodology for the research. The relevant theories in explaining the property market are based on certain philosophical views. The ideology of each theory will guide further empirical work to be undertaken.

Identifying the broad concepts is important, as it is impossible to examine specific problems from all angles. Further more the lines of explanation provided by one school of thought may not be in line with other school of thought. The philosophical basis of understanding property market behaviours is determined by assessing three conventional theories. Each of these theories provides a different explanation on the property market. Hence their explanation will determine the type of information that needs to be assembled.

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